

Message Text

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ACTION EUR-12

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E. O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: BARRE PLAN: HOLDING THE LINE DESPITE ADVERSITY

REF: PARIS 28758, SEPTEMBER 30, 1976

1. SUMMARY:

BOTH THE PRESIDENT AND THE PRIME MINISTER, IN MAJOR PUBLIC STATEMENTS ON NOVEMBER 25 AND 26, REITERATED THEIR APPEALS FOR SUPPORT OF THE CURRENT AUSTERITY PROGRAM. NEITHER OFFERED ANYTHING NEW BY WAY OF ARGUMENTATION AND BARRE EXPLICITLY REJECTED THE IDEA OF A NEW PACKAGE OF GOVERNMENT STIMULUS TO INVESTMENT. BARRE'S TONE WAS PARTICULARLY SOMBER AND COMBATIVE. FIRST INDICATIONS ARE THAT NEITHER BUSINESS NOR THE PUBLIC IN GENERAL ARE LIKELY TO BECOME SUDDENLY MORE COOPERATIVE OR LESS SKEPTICAL.

2. PRESIDENT GISCARD D'ESTAING, ON NOVEMBER

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25 AND 26, MADE SPEECHES IN METZ, NANCY, AND

STRASBOURG THAT INCLUDED AN APPEAL FOR NATIONAL UNITY AND FOR GREATER EFFORT IN THE FACE OF THE ECONOMIC CHALLENGE. HE ALSO CALLED FOR FAITH IN THE BARRE PLAN'S ULTIMATE SUCCESS TO REPLACE THE "SAD RESIGNATION" WHICH HAS TAKEN HOLD IN MANY QUARTERS. IN TONE AND IN SUBSTANCE, GISCARD'S EXHORTATIONS WERE REMINISCENT OF HIS SEPTEMBER 29 SPEECH IN SUPPORT OF THE BARRE PLAN REPORTED IN REFTTEL. ACCORDING TO PRESS REPORTS, THE CROWDS IN EASTERN FRANCE WERE NEITHER LARGE NOR PARTICULARLY RESPONSIVE.

3. ON NOVEMBER 25 PRIME MINISTER BARRE SPOKE ON THE SAME THEMES BUT IN A CONSIDERABLY MORE BLUNT AND EMBATTLED TONE. HIS REMARKS WERE MADE TO A LARGELY BUSINESS AUDIENCE ON THE OCCASION OF THE NOUVEL ECONOMISTE'S MANAGER-OF-THE-YEAR AWARD. IN EFFECT, BARRE APPEALED TO PRIVATE BUSINESS TO TRY HARDER AND TO EXPECT NO ADDITIONAL HELP FROM GOVERNMENT. HE ASKED BUSINESS LEADERS TO INVEST MORE, TO AVOID LAYOFFS, TO HOLD THE LINE ON WAGES (AND TO EXPLAIN TO THEIR WORKERS WHY), AND TO AVOID INCREASING THEIR PRICES. HE OFFERED NO HOPE OF GOVERNMENT SWEETENERS IN THE FORM OF ADDITIONAL INVESTMENT INCENTIVES OR OTHER REFLATIONARY MEASURES IN THE FACE OF RECENT SIGNS OF ECONOMIC SLOWDOWN. INSTEAD, HE OFFERED THE INCENTIVE OF THE STICK BY PORTRAYING THE ALTERNATIVE TO HIS POLICIES AS "COLLECTIVISM" (READ: OPPOSITION VICTORY IN L978) AND A FRANCE SLIDING DOWN THE SLIPPERY SLOPE ON WHICH ENGLAND AND ITALY HAVE FOUND THEMSELVES.

4. COMMENT:

JUDGING FROM THE BUSINESS REACTION TO THE BARRE PRESENTATION AND PRESS REACTION TO BOTH HIS AND THE PRESIDENT'S SPEECHES, THE GOVERNMENT HAS A LONG WAY LIMITED OFFICIAL USE

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TO GO IN BUILDING THE PUBLIC AND BUSINESS CONFIDENCE WHICH THEY SEEK. THE TONE AND SUBSTANCE OF THEIR REMARKS ARE THUS OF INTEREST MAINLY AS A REAFFIRMATION OF THE GOVERNMENT'S CURRENT DETERMINATION TO STICK WITH THE BARRE PLAN IN THE FACE OF SOMEWHAT GREATER ADVERSITY THAN MIGHT HAVE BEEN FORESEEN THREE MONTHS AGO WHEN THE PLAN WAS BEING PREPARED (I.E. OCTOBER'S LARGE

TRADE DEFICIT AND 0.9 PERCENT CONSUMER PRICE RISE,
DESPITE PRICE CONTROLS).
RUSH

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